

REMARKS/ARGUMENTS

Status of Application

Claims 2-4, 7, 18, 25, 28-30, 32-42 are pending in this application, and stand finally rejected as anticipated under 35 U.S.C. § 102(b) on the basis that the invention was in public use or on sale before the critical date (i.e., more than one year before this application's filing date). The Examiner bases the rejection on facts set forth in one or more of the following three declarations filed in this case:

- Declaration of Robert King, submitted October 8, 2002;
- Declaration of Paul Marshall, submitted March 17, 2004; and
- Declaration of inventors Chang, Dang and Wu (Under 37 CFR §1.131), submitted May 28, 2004.

Applicants respectfully disagree with the Examiner's characterization of the activities by Applicants' assignee, and therefore respectfully request reconsideration and withdrawal of the rejection

The Rejection Under 35 U.S.C. § 102(b)

The Examiner has rejected the claims as anticipated under 35 U.S.C. § 102(b) based on a public use or sale of the invention. As best can be determined, the Examiner's position is based on the proposition that the invention was complete and that Applicants' assignee was commercializing the invention before the critical date.

While the Examiner did not specifically articulate the precise basis for the rejection, the rejection does articulate the notion of "commercial exploitation." In order to make sure that Applicants have properly addressed the 35 U.S.C. § 102(b) rejection, Applicants will address all possible bases for a public use or on-sale rejection and point out why the invention was neither on sale nor in public use before the critical date. To this end, Applicants will demonstrate at least the following:

- that none of the activities before the critical date (describing possible attributes of the invention to potential customers) rose to the level of an offer for sale, regardless of the state of completion of the invention;
- that none of the activities before the critical date was public; and
- that none of the activities before the critical date were of the type of “secret commercial use” that could be considered “public use” within the meaning of § 102(b).

The Examiner’s Assertions

Since the Examiner did not clearly separate the issues of on-sale and public use, Applicants will in this section address the Examiner’s assertions or characterizations of the alleged commercial activities, and will then analyze the relevant activities relative to the on-sale and public use provisions of 35 U.S.C. § 102(b) under separate section headings.

The Marshall Declaration

The Examiner cites the Marshall declaration and its Exhibit A (a copy of a preliminary specification sheet for the SunSet™ ADSL test set, dated April 1997), Exhibit B (a copy of a preliminary specification sheet for the SunSet™ xDSL test set, dated July 1997), and Exhibit C (a copy of a preliminary specification sheet for the SunSet™ xDSL test set, dated August 1997) as showing that the invention was publicly disclosed.

The Examiner notes that the Marshall declaration alleges that the meeting was considered confidential, but then goes on to state that “No evidence has been presented to [substantiate] that the meeting was confidential, proprietary and was not [publicly] disclosed.” Applicants respectfully disagree. The Marshall declaration stated the following:

The meetings were private. There was a business custom that any matters discussed in the meetings were to be considered confidential, proprietary, and not to be publicly disclosed. I believed then and believe now that such business custom was in effect. I would not have conducted the meetings had I not believed that they did not also adhere to such business custom.

Applicants respectfully submit that this sworn statement is credible evidence that “the meetings were to be considered confidential, proprietary, and not to be publicly disclosed.” There is no evidence to the contrary.

MPEP 2133.03(c) and Applicants’ Declaration Under 37 CFR 1.131

The Examiner has cited MPEP 2133.03(c)(II) for the proposition that “Affidavits or declarations submitted under 37 CFR 1.131 to swear behind a reference may constitute, among other things, an admission that an invention was ‘complete’ more than 1 year before the filing of an application.” Applicants do not dispute this proposition as a general matter, but stress that it is important to place it in context, and to recognize the distinction between the standards for on-sale and public use. MPEP 2133.03(c)(I), captioned “LEVEL OF COMPLETENESS REQUIRED,” states:

The level of completion required likely will differ in cases of “public use” which are not intertwined with a sale. *UMC Elecs. Co. v. United States*, 816 F.2d 647, 652 n.6, 2 USPQ2d 1465, 1468 n.6 (Fed. Cir. 1987). The court decisions do not address the level required in pure “public use” cases *but it is unlikely that the invention can be publicly used without a working embodiment*. The case law presented below is directed to “on sale” situations. (Emphasis added).

Applicants’ Declaration Under 37 CFR 1.131, while potentially relevant to the completeness of the invention (readiness for patenting for the on-sale inquiry) provides no basis from which one could infer a public use.

A public use, as noted above, would normally require a working (albeit not necessarily commercially viable) embodiment. Here, Applicants were describing events showing diligence toward a reduction to practice continuing up through the filing of the application. The confidential disclosure of documents to potential customers does not constitute a public use.

The Invention Was Not On Sale Before the Critical Date

Prior to the Supreme Court decision in *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 48 USPQ2d 1641 (1998), the test for the on-sale bar was a flexible “totality of the

circumstances” test that looked at commercial exploitation. *Pfaff* changed the legal standard, and the CAFC cases following *Pfaff* stress the need for a commercial offer in a contract sense.

Group One, Limited v. Hallmark Cards, 254 F.3d 1041, 59 USPQ2d 1121 (Fed. Cir. 2001) makes it very clear that a commercial offer for sale is necessary to trigger the on-sale bar, holding as follows:

Furthermore, to the extent it was believed that something less than an offer to sell as understood in general commercial transactions was sufficient to trigger the on-sale bar, it is likely that such belief can no longer be the law. The Supreme Court in *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 48 USPQ2d 1641(1998), swept away this court’s “totality of the circumstances” analysis of the on-sale bar and replaced it with a two-part test: “First, the product must be the subject of a commercial offer for sale. ... Second, the invention must be ready for patenting.” *Id.* at 67, 48 USPQ2d at 1646-47. Though the Court did not elaborate on what was meant by “a commercial offer for sale”—the issue not being directly presented—the language used strongly suggests that the offer must meet the level of an offer for sale in the contract sense, one that would be understood as such in the commercial community. Such a reading leaves no room for “activity which does not rise to the level of a formal ‘offer’ under contract law principles.” *Group One*, 59 USPQ2d at 1125.

Only an offer which rises to the level of a commercial offer for sale, one which the other party could make into a binding contract by simple acceptance (assuming consideration), constitutes an offer for sale under §102(b). *Group One*, 59 USPQ2d at 1126.

In *Linear Technology Corporation v. Micrel, Inc.*, 275 F.3d 2d 1040, 61 USPQ2d 1225 (Fed.

Cir. 2001), citing *Group One*, elaborates on the nature of a commercial offer for sale as follows:

In short, none of the pre-critical date communications between LTC and its sales representatives or between the sales representatives and customers rose to the level of an offer for sale that would form a contract if accepted. Thus, as a matter of law, none of them triggered the on-sale bar under *Group One*. 275 F.3d 2d 1040 at 1052.

Mr. Marshall’s declaration and Mr. King’s declaration made it clear that the communications fell far short of a commercial offer to sell. As Mr. Marshall stated in his declaration:

No sales were made to the potential customers at the meetings. No purchase orders were signed, no SunSet™ xDSL test sets were left with the potential customers, and no consideration was exchanged at the meetings. In the meetings, no firm prices were discussed. No firm quantities were discussed. No firm delivery dates were discussed. I believed then and believe now that nothing was discussed that would have led the potential customers to believe that they could have formed a binding contract with Sunrise by simple acceptance. I did not invite the potential customers to make any offers themselves for the xDSL Test Sets. Even if a potential customer had made an offer to buy (which they did not), I would have been unable to accept the offer.

Mr. King's declaration similarly negates any commercial offer to sell:

No sales were made to SBC at the meetings. No purchase orders were signed, no xDSL Test Sets were left with SBC, and no consideration was exchanged at the meetings. In the meetings, no firm prices were discussed. No firm quantities were discussed. No firm delivery dates were discussed. I understood that at a later time, SBC would solicit offers [from] test equipment manufacturers through a Request for Information. SBC did issue a Request For Information after my visit. I also knew that at an even later date SBC might solicit specific pricing information from Sunrise through a Request for Quotation (RFQ). I understood that even if SBC had in the future sent an RFQ to Sunrise, that SBC would not have considered itself to be obligated to accept any quotation that Sunrise would have made in response to the RFQ. I knew that SBC only purchases equipment by issuing a purchase order; I knew that SBC would not accept or consider any offers from Sunrise. I believe that nothing was discussed that would have led SBC to believe that they could have formed a binding contract with Sunrise by simple acceptance. I did not invite SBC to make any offers themselves for the xDSL Test Sets. Even if SBC had made an offer to buy (which they did not), I would have been unable to accept the offer.

Therefore, Applicants respectfully submit that the invention was not "on sale" within the meaning of 35 U.S.C. § 102(b) before the critical date.

The Invention Was Not In Public Use Before the Critical Date

The Examiner's reliance on the provisions of MPEP 2133.03(e)(1) dealing with Commercial Exploitation is misplaced since MPEP 2133.03(e) deals with the experimental use exception to public use. In this case there was no public use of a working embodiment of the invention before the critical date. Mr. King's declaration characterizes the prototype shown to a potential customer on or about December 11-12, 1997 as follows:

The xDSL Test Set is a modular test set. At my meeting at SBC, I only displayed the base unit; I did not display any modules. The prototype that I displayed could power on and could perform certain digital multi-meter functions, capacitance, and resistance. The prototype could not perform time domain reflectometry although it did have mocked-up screens to simulate the results of a time domain reflectometry test. The prototype also could not perform line measurements.

The use of the prototype in a confidential setting does not rise to the level of a public use of a working embodiment.

In addition, even if MPEP 2133.03(e)(1) were relevant, the preliminary specifications that were shown to potential customers could hardly be considered "commercial documents" within the meaning of that MPEP section, which reads as follows:

SIGNIFICANT FACTORS INDICATIVE OF "COMMERCIAL EXPLOITATION"

As discussed in MPEP § 2133.03, a policy consideration in questions of 35 U.S.C. 102(b) activity is premature “commercial exploitation” of a “completed” or “ready for patenting” invention (see MPEP § 2133.03(c)). The extent of commercial activity which constitutes 35 U.S.C. 102(b) “on sale” status depends upon the circumstances of the activity, the basic indicator being the subjective intent of the inventor as manifested through objective evidence. The following activities should be used by the examiner as indicia of this subjective intent: (A) Preparation of various *contemporaneous “commercial” documents, e.g., orders, invoices, receipts, delivery schedules, etc.*;

(Emphasis added).

The preliminary specifications are nothing like any of the examples delineated as “commercial” documents. Further, the context of these documents is detailed in Mr. Marshall’s declaration, which reads as follows:

The purpose of the meetings was to obtain feedback from potential customers regarding their current and future test equipment needs. The preliminary sheets were used to assess interest in the preliminary specifications and to elicit suggestions regarding additional features that the potential customer may want to see. As the product was still under development, the additional features could have been added to the product more easily than if the product development cycle had been completed.

Therefore, the documents listed in Mr. Marshall’s declaration fall far outside of what would be considered commercial documents in the context of MPEP 2133.03(e).

Therefore, Applicants respectfully submit that the invention was not “in public use” within the meaning of 35 U.S.C. § 102(b) before the critical date.

The Invention Was Not the Subject of a “Secret Commercial Use” Before the Critical Date

While Applicants have demonstrated that the activities were private, and therefore not “public” in the normal sense of the word, Applicants are mindful of the fact that certain secret commercial uses of an invention may be considered to fall within the “public use” provisions of 35 U.S.C. § 102(b). For example, secret use of a manufacturing method where the products made by the method are sold can give rise to a statutory bar. Moreover, secret use of a method, even if not used to make a product, during the normal commercial activity of the entity using the method can give rise to a statutory bar.

Applicants do not see any basis for an argument that any of the activities before the critical date amounted to a “secret commercial use.” Applicants’ assignee did not manufacture commercial products or render commercial services using a process or apparatus for

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which patent protection is sought. Nor did Applicants' assignee use a process or apparatus for which patent protection is sought during their normal operations.

Therefore, Applicants respectfully submit that the invention was not "in secret commercial use" such as to fall within the scope of 35 U.S.C. § 102(b) before the critical date.

Conclusion

Applicants saw fit to disclose the activities of Mr. King and Mr. Marshall since the activities involved contact with potential customers before the critical date. However, as discussed above, Applicants disagree with the Examiner's position that these activities placed the invention on sale or in public use before the critical date. Accordingly, the Examiner is respectfully requested to withdraw the rejection under 35 U.S.C. § 102(b), and issue a Notice of Allowance.

In view of the foregoing, Applicants believe all claims now pending in this Application are in condition for allowance and an action to that end is respectfully requested.

If the Examiner believes a telephone conference would expedite prosecution of this application, please telephone the undersigned at 650-326-2400.

Respectfully submitted,



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